

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Application of San Diego Gas & Electric  
Company (U902E) for Approval of Public  
Utilities Code Section 748.5 Customer  
Outreach Plan for 2014 and 2015.

A.13-08-026  
(Filed on August 30, 2013)

And Related Matters.

A.13-08-027  
A.13-09-001  
A.13-09-002  
A.13-09-003

**PHASE ONE OPENING BRIEF OF THE OFFICE OF RATEPAYER ADVOCATES**

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## **TABLE OF CONTENTS**

I.	INTRODUCTION .....	1
II.	SUMMARY OF RECOMMENDATIONS .....	1
III.	BACKGROUND .....	2
IV.	DISCUSSION AND RESPONSE TO SCOPING RULING QUESTIONS.....	4
A.	ARE THE UTILITIES OR A THIRD PARTY ADMINISTRATOR BEST EQUIPPED TO DEVELOP AND ADMINISTER GHG CUSTOMER EDUCATION AND OUTREACH ACTIVITIES FOR 2014 AND 2015? .....	4
B.	IF A THIRD PARTY ADMINISTRATOR IS DETERMINED TO BE APPROPRIATE, SHOULD THE ADMINISTRATOR ALSO BE RESPONSIBLE FOR DEVELOPING AND ADMINISTERING MARKETING AND CUSTOMER OUTREACH/EDUCATION ACTIVITIES FOR LIBERTY UTILITIES AND PACIFICORP? .....	6
C.	IF A THIRD PARTY ADMINISTRATOR IS DETERMINED TO BE APPROPRIATE, IS IT REASONABLE TO CONTINUE TO COORDINATE GHG CUSTOMER EDUCATION AND OUTREACH ACTIVITIES WITH ENERGY UPGRADE CALIFORNIA (AS ADOPTED IN RESOLUTION E-4611) AND ITS ASSOCIATED ADMINISTRATOR (CURRENTLY CCSE), INCLUDING THE GOVERNANCE AND MANAGEMENT STRUCTURE AND PERFORMANCE METRICS IN PLACE FOR ENERGY UPGRADE CALIFORNIA? IF NOT, HOW SHOULD A THIRD-PARTY ADMINISTRATOR BE TIMELY SELECTED RECOGNIZING THE URGENT NEED TO DEVELOP AND ADMINISTER EDUCATION AND OUTREACH ACTIVITIES IN 2014, AND WHAT ARE THE APPROPRIATE QUALIFICATIONS FOR A THIRD PARTY ADMINISTRATOR? .....	7
D.	IF THE UTILITIES ARE DETERMINED TO BE THE APPROPRIATE ADMINISTRATORS, IS IT REASONABLE TO REQUIRE THE UTILITIES TO COORDINATE THEIR GHG CUSTOMER EDUCATION AND OUTREACH EFFORTS WITH ENERGY UPGRADE CALIFORNIA, AND IF SO, WHAT LEVEL OF COORDINATION IS APPROPRIATE? .....	8
E.	IF THE UTILITIES ARE DETERMINED TO BE THE APPROPRIATE ADMINISTRATORS, WHAT LEVEL OF COORDINATION SHOULD BE REQUIRED ACROSS UTILITIES TO ACHIEVE CONSISTENCY IN MESSAGING? IS THE HIRING OF A SINGLE ADVERTISING AND MARKETING AGENCY TO DEVELOP MESSAGING ACROSS UTILITIES APPROPRIATE, AND IF SO, WHAT ARE THE APPROPRIATE OUTREACH AND EDUCATION RESPONSIBILITIES OF THE ADVERTISING AND MARKETING AGENCY VERSUS THE UTILITIES? .....	9

F. IF A THIRD-PARTY ADMINISTRATOR IS DETERMINED TO BE APPROPRIATE, WHAT IS THE NECESSARY DIVISION OF LABOR (AT A HIGH LEVEL) BETWEEN THE ADMINISTRATOR AND THE UTILITIES? WHAT ACTIVITIES SHOULD BE THE RESPONSIBILITY OF THE UTILITY VERSUS THE THIRD-PARTY ADMINISTRATOR? DOES THIS DIVISION OF LABOR DIFFER FOR PACIFICORP AND LIBERTY UTILITIES COMPARED TO THE LARGE UTILITIES? .....	10
G. IF A THIRD-PARTY ADMINISTRATOR IS DETERMINED TO BE APPROPRIATE, WHAT IS THE APPROPRIATE DIVISION OF PAYMENT BY THE UTILITIES FOR THE THIRD-PARTY ADMINISTRATOR? SHOULD LIBERTY UTILITIES AND PACIFICORP BE REQUIRED TO PAY FOR THE THIRD-PARTY ADMINISTRATOR (IF IT IS DETERMINED THAT THESE UTILITIES SHOULD COME UNDER THE AUSPICES OF A STATEWIDE MARKETING AND OUTREACH EFFORT), AND IF SO, WHAT IS THE APPROPRIATE LEVEL OF FINANCIAL RESPONSIBILITY FOR THESE UTILITIES? .....	10
H. GIVEN THE FINDINGS INCLUDED IN THE TARGETBASE REPORT PERTAINING TO THE NAME OF THE RESIDENTIAL GHG REVENUE RETURN, SHOULD THE COMMISSION ALLOW NAMING FLEXIBILITY, WITH ULTIMATE APPROVAL BY THE COMMISSION’S ENERGY DIVISION, RATHER THAN CONTINUING TO REQUIRE THE “CLIMATE DIVIDEND” NOMENCLATURE, AS WAS ADOPTED IN D.12-12-033? .....	11
I. ARE THERE SAFETY IMPLICATIONS ASSOCIATED WITH MARKETING AND CUSTOMER OUTREACH/EDUCATION OF GHG ALLOWANCE REVENUES? IF SO, WHAT ARE THE SAFETY IMPLICATIONS AND HOW SHOULD THEY BE MITIGATED? .....	11
V. CONCLUSION .....	12

## **TABLE OF AUTHORITIES**

### **Commission Decisions**

D.12-05-015 .....	9
D.12-12-033 .....	passim

### **Public Utilities Code**

Section 748.5(b) .....	2, 4
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## **I. INTRODUCTION**

Pursuant to Rule 13.11 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure and the November 7, 2013 Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge (Scoping Memo),<sup>1</sup> the Office of Ratepayer Advocates (ORA) submits the opening brief on Phase One issues in this proceeding. Section II of this brief contains ORA's recommendations, Section III summarizes the background, and Section IV provides the rationale for recommendations.

## **II. SUMMARY OF RECOMMENDATIONS**

- ORA recommends that the Commission adopt a hybrid approach to the administration of marketing, education, and outreach related to the return of greenhouse gas (GHG) revenue to customers.
- Marketing, education and outreach content and the strategy for its delivery should be developed by a marketing firm under the direction of a third party administrator, who should ensure that the content is clear, easy to understand, competitively neutral, and consistent across utilities.
- Utilities are best positioned to handle certain customer interactions, including face-to-face interactions with customers who have existing account representatives, providing messaging to customers using email and bill inserts, and managing content on utility websites.
- There are some areas of customer education and outreach where it is unclear whether the activities should be handled by the utilities versus a third party administrator. If it appears that some activities, such as customer calls, can be handled by a utility more cost effectively than by a third party, then a utility using content developed by the third party administrator should handle that function.

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<sup>1</sup> On November 26, 2013 the Administrative Law Judge's Ruling Suspending Reply Comments on Issue 8 in Scoping Memo clarified that reply comments due on December 17, 2013 would be limited to issues other than Issue 8, which requests comments on a possible name change for the "Climate Dividend."

- The third party administrator, under the supervision of the Energy Division, should oversee compliance by the utilities with competitively neutral, consistent messaging about the return of GHG revenue.
- All five utilities should pay for the third party administrator to develop and translate content for GHG outreach and education on a per customer basis. Utilities that use additional services of the administrator, such as handling calls, should pay for those services.
- Details about the functions to be performed by the third party administrator and payment for those services should be included within the scope of Phase Two of this proceeding. The cost of using a third party administrator should not exceed the cost of the utilities performing the same tasks. Appended to this brief as Attachment A is a summary of estimated utility costs based on data request responses received from the utilities.

### **III. BACKGROUND**

The Commission established a methodology for returning revenue generated from the sale of greenhouse gas (GHG) allowances to customers in Decision (D.) 12-12-033. The decision directed the IOUs to distribute revenues to residential customers on an equal per residential account basis delivered semi-annually, as an on-bill credit, known as the “Climate Dividend.”<sup>2</sup> Public Utilities Code Section 748.5(b) requires the Commission to adopt a customer education program to maximize public awareness of the distribution of GHG allowance revenue to ratepayers.<sup>3</sup> To fulfill this mandate, D.12-12-033 allocated \$3.85 million to the IOUs for outreach and education activities in 2013.<sup>4</sup> Among other requirements, the utilities were required to: (1) conduct the outreach program in a competitively neutral manner

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<sup>2</sup> D.12-12-033, Ordering Paragraph 9, p.208. SCE, SDG&E and PG&E must first return a portion of the GHG allowance revenue to residential customers to neutralize GHG costs in all residential rates. D.12-12-033, Ordering Paragraph 8, p.208. In addition, the utilities must return GHG revenue to emissions-intensive and trade-exposed (“EITE”) customers (D.12-12-033, Ordering Paragraph 5, at p. 207) and eligible small business customers using a volumetric return. D.12-12-033, Ordering Paragraph 7, at pp. 207-208.

<sup>3</sup> See California Public Utilities Code Section 748.5(b).

<sup>4</sup> D.12-12-033 allocated \$1.7 million to PG&E, \$1.4 million to SCE, and \$750,000 to SDG&E.

and develop the messaging in a way that does not advantage the IOU over the Community Choice Aggregators (CCA) and Direct Access (DA) providers within its service territory; (2) conduct the outreach program through various channels of media and communication; and (3) describe California's Cap-and-Trade program and attribute the customer revenue returns to the State of California.<sup>5</sup>

D.12-12-033 also directed the utilities to file applications for expanded education and outreach programs for 2014 and 2015.<sup>6</sup> To guide the utilities' expanded outreach and education activities in 2014 and 2015, D.12-12-033 directed them to spend \$500,000 in 2013 to hire a market research firm to propose marketing strategies and to advise the Commission on whether the outreach and education program should be administered by a central statewide administrator rather than individually by each utility.<sup>7</sup> The utilities hired TargetBase, a marketing and public relations consultant, to evaluate customer awareness of issues related to GHG, and how that should inform outreach and education regarding allowance revenue return and the opportunity to help California achieve its GHG reduction goals. TargetBase submitted its findings and recommendations in "*California Climate Dividend Public Outreach Program Strategic Road Map Report*," issued July 1, 2013 (TargetBase Report).<sup>8</sup>

San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE), PacifiCorp, Pacific Gas and Electric Company (PG&E) and Liberty Utilities (collectively, utilities or IOUs) filed applications setting forth proposed customer outreach plans related to the GHG allowance revenue that each of the utilities will return to its customers in 2014 and 2015. Phase One of this proceeding considers the consolidated applications of SDG&E (Application (A.)13-08-026), SCE (A. 13-08-027); PacifiCorp (A.13-09-001), PG&E (A.13-09-002) and Liberty Utilities (A.13-09-003). The Scoping Memo explains that:

"Phase 1 will be limited to information necessary to determine whether the utilities or a third-party administrator is best equipped

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<sup>5</sup> D.12-12-033, Ordering Paragraph 11, p. 209.

<sup>6</sup> D.12-12-033, Ordering Paragraph 30, p. 218.

<sup>7</sup> D.12-12-033, Ordering Paragraphs 11-13, pp. 209-213.

<sup>8</sup> The TargetBase report is part of the record in this proceeding, pursuant to the August 21, 2013 Administrative Law Judge's Ruling Supplementing the Record in Rulemaking (R.) 11-03-012.

to administer the greenhouse gas customer education and outreach program.”<sup>9</sup>

The Scoping Memo identified nine topics germane to the determination of who should administer GHG customer and outreach program and requested opening briefs on December 6, with reply briefs due December 17.<sup>10</sup>

#### **IV. DISCUSSION AND RESPONSE TO SCOPING RULING QUESTIONS**

Public Utilities Code section 748.5 and the Commission’s directives in D.12-12-033 require that the investor-owned utilities develop a customer outreach plan that:

- “[A]chieves maximum feasible public awareness of the crediting of greenhouse gas allowance revenues;”<sup>11</sup>
- Is competitively neutral; and
- Maximizes the amount of GHG allowance revenues returned to customers.<sup>12</sup>

The allocation of responsibilities between the utilities and potentially a third party administrator should balance these important considerations, and to the greatest extent possible, maximize achievement of all three goals.

##### **A. Are the utilities or a third party administrator best equipped to develop and administer GHG customer education and outreach activities for 2014 and 2015?**

ORA recommends that the Commission develop a hybrid approach that divides responsibility for GHG customer education and outreach activities between the utilities and a third party administrator. Utilities are best positioned to handle certain customer interactions, including face-to-face interactions with customers who have existing account representatives, providing messaging to customers using bill inserts and email, and managing content on utility websites.

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<sup>9</sup> Scoping Memo, p. 5.

<sup>10</sup> Scoping Memo, pp. 5-7.

<sup>11</sup> Public Utilities Code Section 748.5(b).

<sup>12</sup> D.12-12-033, p. 90.

Utilities' core competencies do not include understanding and articulating California's climate policies...,<sup>13</sup> so they are not the best candidates for developing the content of marketing, education and outreach communications or overseeing the efforts as a whole. The marketing, education and outreach content should be developed by a marketing firm under the direction of a third party administrator, who should ensure that the content is clear, easy to understand, competitively neutral, and consistent across utilities. The third party administrator should build on the TargetBase report, while recognizing that some of the report's recommendations may need to be modified.<sup>14</sup>

Although PG&E, SCE and SDG&E propose that one of them contract with the marketing expert,<sup>15</sup> the objectives of competitive neutrality and clear consistent messaging would be better served if a third party selected and contracted directly with the marketing firm. As the California Center for Sustainable Energy (CCSE) states, the contract with the marketing agency should be managed and overseen "by a neutral non-profit entity whose mission is closely aligned with the state's climate and energy policies."<sup>16</sup> ORA therefore supports a third party administrator entering into the marketing contract. The third party administrator could assist with oversight of the utilities' dissemination of the content developed by the central advertising agency in furtherance of the goal of clear, consistent and competitively neutral messaging.

There are some areas of customer education and outreach where it is unclear whether the activities should be handled by the utilities versus a third party administrator. For example, customer questions about the return of GHG revenue and related bill impacts might be handled by utility employees who answer a range of bill-related questions or they might be referred to a central call center that responds only to GHG revenue questions. In either case, people

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<sup>13</sup> Response of the California Center for Sustainable Energy to the Applications of Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, PacifiCorp, and Liberty Utilities for Approval of 2014 and 2015 Greenhouse Gas Allowance Customer Outreach Plans, October 11, 2013 (CCSE Response), p. 7.

<sup>14</sup> ORA agrees that the TargetBase's recommended mass media budget of \$33 million is excessive (TargetBase Report, p. 69; Ex. SCE 1/Lim, p. 6), and as discussed in Section IV I, believes that its recommendation to rename the Climate Dividend warrants further scrutiny before its adoption.

<sup>15</sup> Ex. SCE 01/Lim, pp. 1-2; SDG&E A.13-08-026, Testimony of Rick Janke, RJ-4;

<sup>16</sup> CCSE Response, p. 7.

responding to questions about GHG revenue return should use content developed by a marketing firm that is clear, easy to understand, competitively neutral and consistent across the utilities.

A decision regarding whether customer calls about GHG revenue bill impacts should be handled in-house by existing utility employees or by a third party call center should take into account the cost of each option, including the cost of monitoring compliance. If economies of scale make it less expensive to handle calls via a call center, then using a call center would allow customers to receive more GHG revenue. If, on the other hand, a utility could handle inquiries using content developed by the third party administrator within its existing general rate case revenue allocated for customer support, then allowing the utility to handle such inquiries would allow the customers to receive more GHG revenue. As long as the content was developed under the direction of the third party administrator, this approach appears consistent with the Commission's goal of "strongly support[ing] the objectives of customer outreach and education, while at the same time focusing our efforts first and foremost on maximizing the amount, and therefore benefit, of GHG allowance revenue returned to customers."<sup>17</sup>

In order to ensure that the utilities' customer interactions and messaging are in compliance with the Commission's goals of competitive neutrality and clear, consistent messaging, the Commission should include a plan for monitoring adherence to these goals. Appropriate monitoring might include reviewing tapes of calls to ensure that questions were answered clearly, consistently, and in a competitively neutral manner. Monitoring of utility compliance should be undertaken by a third-party administrator working under the supervision of Energy Division staff.

**B. If a third party administrator is determined to be appropriate, should the administrator also be responsible for developing and administering marketing and customer outreach/education activities for Liberty Utilities and PacifiCorp?**

ORA recommends that the Commission adopt a hybrid approach that takes into account the size of various utilities and the cost of various communication strategies. Under the proposed hybrid approach, information about the return of GHG revenue should be developed by a marketing consultant under the direction of a third party administrator. The third party

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<sup>17</sup> D.12-12-033, p. 90.

administrator should also be responsible for translating the content into Spanish, Vietnamese, and other languages needed to inform California's linguistically diverse population about California's GHG goals and the Climate Dividend<sup>18</sup> and for determining the most effective way to communicate with customers with disabilities such as sight impairment. For Liberty Utilities and PacifiCorp, use of the content developed under that arrangement might be the only involvement of the third party administrator. Those utilities could use the content in newsletters, emails, earned media advertising, fact sheets, social media messaging to train their customer service representatives.<sup>19</sup>

**C. If a third party administrator is determined to be appropriate, is it reasonable to continue to coordinate GHG customer education and outreach activities with Energy Upgrade California (as adopted in resolution e-4611) and its associated administrator (currently CCSE), including the governance and management structure and performance metrics in place for Energy Upgrade California? If not, how should a third-party administrator be timely selected recognizing the urgent need to develop and administer education and outreach activities in 2014, and what are the appropriate qualifications for a third party administrator?**

Given the urgent need to develop and administer GHG education and outreach activities in 2014, it would be reasonable to continue to coordinate GHG customer education and outreach activities with Energy Upgrade California, which is currently administered by the CCSE. CCSE is an existing nonprofit that has successfully administered the California Solar Initiative (CSI) and the Self Generation Incentive Program (SGIP) in SDG&E's service territory. Given the rapidly approaching time for delivery of the first Climate Dividend in 2014 (as well as the impending delivery of the California Climate Credit to small businesses) CCSE appears to be the most feasible choice for 2014. Under the proposed governance model for Energy Upgrade California, a single utility would enter a contract with CCSE and:

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<sup>18</sup> The largest group of non-English speaking Californians speak Spanish, follow by Vietnamese. TargetBase Report, p. 11. The TarbetBase report contains information and recommendations about the most effective ways to communicate with California's ethnically and linguistically diverse population.

<sup>19</sup> See A.13-09-001 (Application of PacifiCorp Setting Forth its Proposed Customer Outreach Plan for 2014 and 2015), p. 10; A.13-09-003 (Application of Liberty Union Setting Forth its Proposed Customer Outreach Plan for 2014 and 2015), p. 2.

“act as a fiscal manager to disperse funds to CCSE and conduct general management and monitoring activities in compliance with Commission directives. The IOU role as contract manager shall encompass all of the usual fiscal and management functions as set forth in similar program agreements, including fiscal oversight and monitoring, and as otherwise determined by the CPUC and CEC.”<sup>20</sup>

The CPUC would issue the final statewide marketing, education and outreach program decision, and within the confines of the approvals of this marketing plan and subsequent plans or subcontractor agreements needed to implement this plan as approved by the CPUC and CEC, CCSE would have the independent authority to manage, deliver and oversee the statewide marketing, education and outreach program and be accountable to the CPUC.<sup>21</sup> This model could be expanded to include GHG outreach and education activities.

CCSE’s past success does not mean it is the only viable candidate to administer GHG customer education and outreach. If the Commission wishes to consider a broader pool of potential third party administrators, it could conceivably select CCSE on an interim basis, and develop a Request for Proposals to seek another administrator for 2015. Appropriate qualifications for a third party administrator include demonstrated success in working with diverse community groups to promote and accelerate the adoption of clean and efficient energy.

**D. If the utilities are determined to be the appropriate administrators, is it reasonable to require the utilities to coordinate their GHG customer education and outreach efforts with Energy Upgrade California, and if so, what level of coordination is appropriate?**

If the Commission entrusts administrative responsibility for GHG customer education and outreach to the utilities, the utilities should coordinate GHG education and outreach with Energy Upgrade California. The Commission determined in D.12-05-015, that the Energy Upgrade California brand would become the umbrella brand for demand-side energy management actions for residential and small business customers, stating that:

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<sup>20</sup> Energy Upgrade California, 2013–2014 Marketing Plan, p. 89, available at [www.cpuc.ca.gov/.../0/EUC\\_Marketing\\_Plan\\_20132014FINAL.pdf](http://www.cpuc.ca.gov/.../0/EUC_Marketing_Plan_20132014FINAL.pdf).

<sup>21</sup> Energy Upgrade California, 2013–2014 Marketing Plan, p. 89, available at [www.cpuc.ca.gov/.../0/EUC\\_Marketing\\_Plan\\_20132014FINAL.pdf](http://www.cpuc.ca.gov/.../0/EUC_Marketing_Plan_20132014FINAL.pdf).

“the messages that come under the Energy Upgrade California umbrella should not be limited to energy efficiency, and should also include generalized energy education and awareness, such as ... climate change impacts... and any other general impacts of energy use for individuals or for the state as a whole.”<sup>22</sup>

The importance of coordinating with Energy Upgrade California does not depend on what entity(ies) administer GHG outreach and education. Rather, “Energy Upgrade California will now become the brand enabling Californians to discover the important role energy plays in their lives and giving them reasons and opportunities to make meaningful, lasting changes in their energy use through simple every day decisions.”<sup>23</sup> In practice, this means that GHG education and outreach should be thoroughly integrated with Energy Upgrade California marketing and outreach, regardless of the administrator, a topic that should be explored in Phase Two of this proceeding.

**E. If the utilities are determined to be the appropriate administrators, what level of coordination should be required across utilities to achieve consistency in messaging? Is the hiring of a single advertising and marketing agency to develop messaging across utilities appropriate, and if so, what are the appropriate outreach and education responsibilities of the advertising and marketing agency versus the utilities?**

If the Commission decides that the utilities should administer their own GHG education and outreach programs, then the utilities should ensure a consistent approach by submitting advice letters that reflect their proposed coordinated approach at intervals frequent enough to allow adequate Commission monitoring. Ideally, this would be in the form of a joint advice letter submittal rather than separate submittals. The advice letter should clearly demonstrate the activities that each utility plans to conduct, and the use of consistent terminology and descriptions for those activities.

If the utilities administer their own GHG education and outreach, then ORA agrees with their proposal to hire a single advertising and marketing agency to develop messaging. A single agency will facilitate a consistent approach and should be less costly to ratepayers than the use

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<sup>22</sup> D.12-05-015, p. 300.

<sup>23</sup> Energy Upgrade California, 2013–2014 Marketing Plan, p. 11, available at [www.cpuc.ca.gov/.../0/EUC\\_Marketing\\_Plan\\_20132014FINAL.pdf](http://www.cpuc.ca.gov/.../0/EUC_Marketing_Plan_20132014FINAL.pdf)

three separate advertising and marketing agencies. Use of a single agency would also make it feasible for PacifiCorp and Liberty Utilities to utilize the content of such an agency, assuming that the Commission develops a cost sharing mechanism based on the number of customers per utility.

With a single advertising agency, each utility administering its own program would still need to decide how to best use and leverage the content developed by the administrator, while at the same time coordinating under the umbrella of Energy Upgrade California.

- F. If a third-party administrator is determined to be appropriate, what is the necessary division of labor (at a high level) between the administrator and the utilities? What activities should be the responsibility of the utility versus the third-party administrator? Does this division of labor differ for PacifiCorp and Liberty Utilities compared to the large utilities?**

Please see response above at Section IV A.

- G. If a third-party administrator is determined to be appropriate, what is the appropriate division of payment by the utilities for the third-party administrator? Should Liberty Utilities and PacifiCorp be required to pay for the third-party administrator (if it is determined that these utilities should come under the auspices of a statewide marketing and outreach effort), and if so, what is the appropriate level of financial responsibility for these utilities?**

The appropriate division of payment by the utilities for a third party administrator should approximate each utility's use of the central administrator's services. All utilities, including Liberty Utilities and PacifiCorp, should pay for the development of messaging content, based on their total number of customers. In addition, all utilities with customers should contribute toward the translation of the message into other languages including Spanish, Vietnamese, and all other languages need to reach California's linguistically diverse population and for determining the most effective way to communicate with customers with disabilities such as sight impairment.

Beyond that, utilities should contribute for services that they use. For example, if PG&E uses the call center (because it would be more cost effective than training and staffing PG&E's existing call center to handle calls), then PG&E should contribute on a per customer basis to the cost of the call center, along with other utilities that use to call center to handle GHG revenue allocation calls. If PacifiCorp decides to print its own bills inserts (using the content developed by the central administrator working with an advertising agency), then PacifiCorp would not pay

the central administrator for printing costs. If SCE learns that the central administrator could provide bill inserts at a price better than SCE could obtain (because of economies of scale), then it would pay for those bill inserts.

Details of the payment mechanism should be developed in Phase Two of this proceeding.

**H. Given the findings included in the TargetBase report pertaining to the name of the residential GHG revenue return, should the Commission allow naming flexibility, with ultimate approval by the Commission's Energy Division, rather than continuing to require the "Climate Dividend" nomenclature, as was adopted in D.12-12-033?**

Although "Climate Dividend" seems to accurately capture the nature of the twice yearly payment that residential ratepayers will receive, ORA does not oppose continued consideration of a name other than "Climate Dividend" if a more effective name can be developed in time for delivery of the first payment in April 2014. However, ORA does not support the TargetBase Report's proposal to revise the name from "climate" to "clean air." ORA agrees with CCSE that "'clean air' should be part of the overall messaging," but that "as a name it is somewhat euphemistic and abstract and may miss a critical opportunity to engage the state's residents in understanding the concepts of climate change and actions that the state is taking to address it..."<sup>24</sup>

**I. Are there safety implications associated with marketing and customer outreach/education of GHG allowance revenues? If so, what are the safety implications and how should they be mitigated?**

Although the impacts of climate change pose significant health and safety risks,<sup>25</sup> ORA is not aware of any proximately caused safety implications associated with marketing and customer outreach/education of GHG allowance revenues. ORA may respond in reply comments to safety implications and mitigations noted by other parties.

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<sup>24</sup> CCSE Response, pp. 3-4; see also Ex. SCE 1/Lim, p. "Equating the Climate Dividend with a positive sign of cleaner air may be outside the scope of this GHG proceeding or the scope of the IOUs' core responsibility to provide safe, affordable, and reliable electric service to customers."

<sup>25</sup> Climate changes poses risks to safety that include wildfires and coastal flooding. *Our Changing Climate 2012 Vulnerability & Adaptation to the Increasing Risks from Climate Change in California*, p. 1 (available at [www.energy.ca.gov/2012publications/CEC-500-2012-007/CEC-500-2012...](http://www.energy.ca.gov/2012publications/CEC-500-2012-007/CEC-500-2012...))

## V. CONCLUSION

ORA supports the Commission's interest in a coordinated approach to customer outreach, education, and marketing. ORA recommends adoption of a hybrid approach in which content is developed by a marketing firm under the direction of a third party administrator, and individual utilities leverage ongoing relationships with their customers to deliver the information. To the greatest extent possible, the communications should be coordinated under the overarching "Energy Upgrade California" brand. The third party administrator, under the supervision of the Energy Division staff, should monitor utility compliance with delivering marketing, education and outreach consistent with the overall message.

Respectfully submitted,

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